



## OUR CONTEXT AND STRATEGY

**“Natural and sustainable ingredients are not only creative options but could be an insurance policy in an era of extreme weather. As more people work remotely, beer and cider can serve as catalysts for out-of-home socialisation. Ongoing demand for alcohol-free products will require alcohol companies to diversify their portfolios.”**

**Mintel: The Future of Beer: 2020**

# OUR OPERATING CONTEXT

The COVID-19 pandemic hit Namibia's economy hard with a resulting contraction of 7.9% in 2020 and declines in tourism, retail trade and investments. This follows on poor economic performances in previous years, with contractions in 2019 and 2018, largely due to struggling construction and mining sectors, persistent drought, and weakening demand for Namibian exports.

While GDP is expected to grow in 2021 and 2022, risks to recovery include the continued impact of COVID-19 and persistently low international prices for some of Namibia's export commodities. The relaxation of travel restrictions and the COVID-19 vaccine-rollout is expected to positively contribute to tourism, as confidence and access are boosted.

The Bank of Namibia has maintained an accommodative policy stance to support the domestic economy. It reduced the interest rate by a cumulative 275 basis points to 3.75% in 2020. Inflation remained subdued during the 2016 to 2020 period, reflecting a steady decline in housing prices and transport costs. Inflation is expected to rise in 2021 and 2022, with anticipated increases in prices of housing, utilities, and food and non-alcoholic beverages, coupled with an expected depreciation of the Namibia Dollar.

The COVID-19 pandemic also caused an overall increase in unemployment, inequality and poverty. The private sector, including NBL, supported the public sector with significant donations to alleviate shortages in terms of facilities and equipment thus bolstering overall health services.

As a result of the pandemic, NBL navigated distressing events such as alcohol bans, on-trade restrictions, restaurant and tavern closures, and a heavily impacted tourism and hospitality industry. Alcohol bans and trade restrictions in South Africa disrupted demand within the country while limiting supply opportunities from Namibia. Read more about our response and performance in the Managing Director's report from page 34.

*Source: The African Development Bank – <https://www.afdb.org/en/countries/southern-africa/namibia/namibia-economic-outlook>*



# BEVERAGE AND CONSUMER TRENDS

We track and interpret global and local consumer trends using market intelligence and global research. These insights drive portfolio innovation and ensure that we remain abreast of evolving consumer needs.

## Trends relevant to our portfolio

### GLOBAL ALCOHOL CONSUMPTION CONTINUES TO FALL

According to the World Health Organization (WHO), there has been an increase in alcohol consumption since 2000 and a plateau from 2010 to 2015, followed by a recent decline. Research firm IWSR estimates that global alcohol consumption was down 8% in 2020<sup>1</sup>. This can be partly attributed to government bans on alcohol to prevent COVID-19 transmission and reduce the burden on hospitals.

While alcohol consumption declines, the shift to the low and non-alcoholic category is steadily gaining momentum, although at a slower pace, driven by consumers adopting a healthier lifestyle while still enjoying the adult taste profiles associated with drinking alcohol.

### THE RISE OF THE CONSCIOUS CONSUMER

Consumers are increasingly aware of the impact of their consumption habits on the environment or society. As a result, they are demanding greater empathy from the brands they consume. They expect transparency and ethical behaviour from brands, and the sentiment is intensified by social media commentary. If a brand does not meet their expectations, they will move to one that does. This is a global phenomenon that will impact African brands.

## Our response

NBL continues to innovate into low and non-alcoholic offerings for consumers as they gravitate towards lower alcohol consumption or abstinence. We continue to diversify our beverage portfolio through low and non-alcoholic versions of our popular beers as well as softs, fruit juice and water. This year we expanded our non-alcoholic portfolio with the launch of *Horizon*, a range of non-alcoholic flavoured beers with less than 0.5% alcohol.

### Related strategic focus areas:



Engaging people, engaging experiences  
Owning the future, creating new realities,  
enjoying the journey

Being purpose-driven, we have always considered social, ethical and environmental aspects in our operations and built our brands on shared value propositions. We expect momentum in consumer and shareholder activism regarding ESG issues including climate, plastic waste and sustainable farming practices. To this end, we continue to reduce our carbon footprint, water use and waste, and focus on recycling.

Our corporate social investments and sponsorships support projects that improve society and support conservation and skills development. We are staunch supporters of the Self-Regulating Alcohol Industry Forum (SAIF) and ensure we market products responsibly. This means, for example, not promoting our non-alcoholic offering of alcoholic mother-brands to underage consumers. All NBL brands encourage responsible behaviour across both traditional and digital media through the #TakesANation campaign. All brands will integrate responsible consumption messages into their campaigns going forward, thereby reaching a broader consumer base than through corporate communication alone.

### Related strategic focus areas:



Engaging people, engaging experiences  
Owning the future, creating new realities,  
enjoying the journey

<sup>1</sup> <https://www.thedrinksbusiness.com/2020/11/global-alcohol-consumption-to-fall-8-this-year/>

## Trends relevant to our portfolio

### PREMIUMISATION

In recent years, the food and beverage industry has seen a consumer demand trend in the direction of more “premium” products. Characterised by an increased focus on flavour, high-quality ingredients and more appealing packaging, premiumisation has had a big impact on the type of products consumers want. In Namibia, consumers seek out aspirational beverage brands.

### THE DEMAND FOR VARIETY CONTINUES

Consumers seek new and innovative beverages and continue to expand their taste repertoires. These include nostalgic beverages that bring back favourite memories as well as novel beverages that include new, exciting ingredients. Hard seltzer options, for example, are starting to compete with light beer offerings. The former features a broad range of flavours and lower calories. The craft beer industry, which has been a driver for variety, started reinventing itself as the world slowly emerges from the pandemic. This follows major shifts in consumption occasions, buying platforms, restrictions in terms of experiences and price sensitivity.

### CONSUMERS SEEK VALUE OFFERINGS

Our research shows that 75% of consumers surveyed declared that their income has been negatively affected by Namibia’s economic slowdown. As disposable incomes shrink, they seek greater value and discount options among the brands they trust. This means that the value segment continues to expand at a rapid rate with price pressure from our competitors. Our research indicates that budget-conscious consumers have cut back on impulse spending. They are now hyper-conscious of expenses and only making purchases “worth the cost”.

## Our response

Consumers are under pressure due to COVID-19 and are therefore even more price-conscious. Despite this, we continue to respond to the premiumisation trend by offering products and brands that appeal to an aspirational consumer. This includes craft and limited-edition brews. **Windhoek Lager** is still considered to be NBL’s most premium brand. **Heineken** is Namibia’s preferred imported premium brand and provides consumers with global sponsorship opportunities like bringing the UEFA (Union of European Football Associations) Champions League to Namibia through local viewing experiences.

#### Related strategic focus areas:



Engaging people, engaging experiences  
Owning the future, creating new realities, enjoying the journey

NBL has a reputation for continued innovation and new product launches that cater for consumers looking to try new tastes. Innovation includes new flavours, seasonal brews, new packaging and engaging marketing campaigns. We consult with our consumers to develop new products. This includes responding to a desire for healthier products by reducing sugar content. We continuously balance consumer demand for variety with the demand for trusted, unchanging favourites.

Portfolio changes follow consumer demand. We launched Horizon in the non-alcoholic category. We decided to discontinue the **Camelthorn** brand in Namibia, as consumer acceptance of the craft beer category fell short of our expectations. However, **Camelthorn Urbock**, is still available locally as it remains a popular seasonal brew in Namibia.

#### Related strategic focus areas:



Engaging people, engaging experiences  
Owning the future, creating new realities, enjoying the journey

We continue to drive cost control to offer consumers better value and to remain competitive. Value segment brands such as **King Lager** offer consumers a quality clear beer at an attractive price point. Several brands were repackaged to help us reduce the cost of goods, without compromising on quality, legal requirements and visual identity. We also remained responsive in how we reward consumers, focusing on their daily needs. This included vouchers for food and airtime rather than traditional items such as T-shirts and caps. We also know that availability and affordability will remain a winning factor for NBL.

#### Related strategic focus areas:



Engaging people, engaging experiences  
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## Trends relevant to our portfolio

### AT-HOME CONSUMPTION INCREASES

The COVID-19 lockdown restrictions and fear of contracting the virus have seen at-home consumption increase. This is unfortunately harming small businesses including bars and restaurants serving alcohol and have resulted in the closure of some outlets. Our research indicates that on-site consumption customers moved from holding larger ranges to minimal stock holding: focusing on brands that sell more quickly and experience higher consumer demand.

### E-COMMERCE EXPECTED TO GROW

COVID-19 accelerated e-commerce across all consumer categories, including alcohol sales. As on-site consumption drops and at-home consumption increases, direct to consumer offerings like subscription boxes and alcohol delivery services are opening up new revenue streams for brands, as consumers buy their alcohol online.

## Our response

NBL's marketing activities are aimed at unlocking this new at-home opportunity, while supporting trade customers to boost their bottom line, despite restricted trading hours. Our **McKane** brand responded to at-home consumption by creating at-home mixology kits and recipes. Some of our beer brands offered larger cans, which are economically better suited to home consumption.

### Related strategic focus areas:



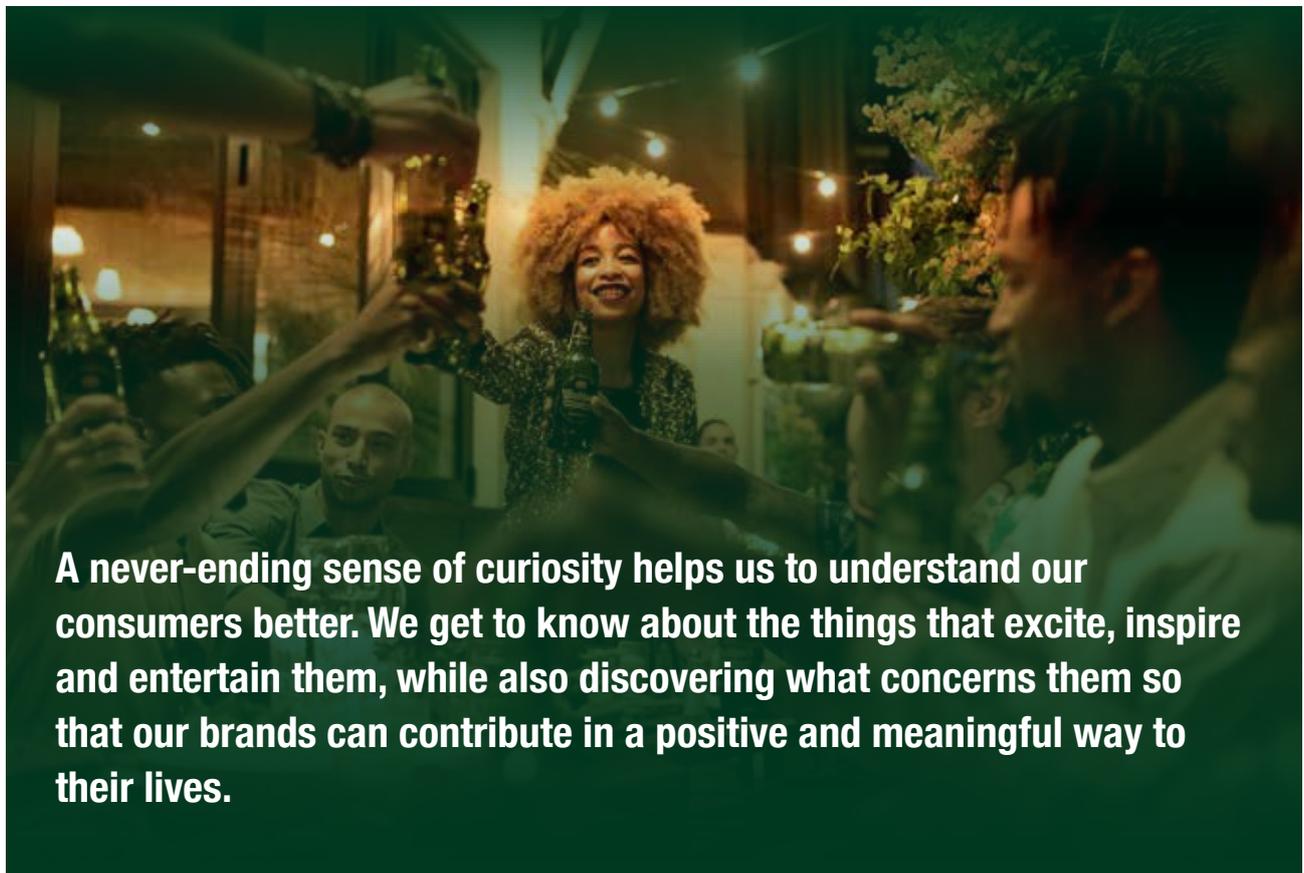
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We have invested significantly in digital transformation, including e-commerce capabilities. Our digital journey has and will further improve our customer and consumer engagement, sales efficiencies and ultimately drive overall future volume growth.

### Related strategic focus areas:



Engaging people, engaging experiences  
Owning the future, creating new realities,  
enjoying the journey



**A never-ending sense of curiosity helps us to understand our consumers better. We get to know about the things that excite, inspire and entertain them, while also discovering what concerns them so that our brands can contribute in a positive and meaningful way to their lives.**

# A PURPOSE-LED STRATEGY FOR THE FUTURE



## 2025 BREAKTHROUGH STRATEGY

*Creating a Future, Enhancing Life*

<b>WHY WE EXIST</b>				<b>PURPOSE</b>
<b>HOW WE LEAD</b>	Live the values   Lead growth   Take bold stands   Cause alignment Be authentic   Inspire innovation   Deliver extraordinary results			<b>LEADERSHIP</b>
<b>WHAT WE DELIVER</b>	<p><b>A CATALYST FOR POSITIVE CHANGE, DELIVERING NEW REALITIES, FULFILLING DREAMS</b></p> <p>Leading Genius   Global Top 25 GPTW 10 000 Employment Opportunities Secured   N\$4 Billion EBIT</p>			<b>2025 VISION</b>
<b>WHAT WE FOCUS ON</b>	 Everyone leading, everyone making a positive impact	 Engaging people, engaging experiences	 Owning the future, creating new realities, enjoying the journey	<b>STRATEGIC AREAS OF FOCUS</b>
<b>WHAT WE DO</b>	Everyone matters Everyone's contribution matters	All stakeholders purposefully engaged	Lasting relationships, sustaining the future	<b>STRATEGIC OUTCOMES</b>
	Everyone enjoys the benefits of leading their life	Everyone appreciated, recognised and valued	Everyone operating in Genius, having fun, bringing out the best versions of themselves	
	Always learning, learning from everyone, open to new possibilities	Free to serve, owning the whole	Creating new-to-world outcomes	
	Unleashing the unlimited potential in everyone	Delivering beyond expectations	A culture of continuous innovation, anything is possible	
<b>OUR FOUNDATION</b>	Let's Talk   Let's Do It   Hooked on Results   We Grow People   We All Serve Naturally Today for Tomorrow   We do the Right Things Right			<b>VALUES</b>

We use the O&L Group 2025 Breakthrough Strategy and vision metrics to drive behaviour, decisions and impact.

## OUR PROGRESS FOR 2021 IN TERMS OF ACHIEVING THE GROUP'S 2025 VISION METRICS:

### Leading Genius

We expanded Leading Genius through our Senior Leadership Team that focused on:

- Unlocking the full potential in each team member by empowering them to be the best version of themselves
- Supporting middle management to entrench leadership competencies and ensure communication channels are building trust
- Improving the overall employment experience through engagement and innovation

We measure Leading Genius through a GAP International performance diagnostic tool. This is a data-driven approach to measure and address the team dynamics that directly impact execution and results. It measures five key factors that determine the capacity of individuals, teams, and organisations to execute strategy and produce extraordinary business results over time.

	September 2020 Senior Leadership Team average score (Out of 10)	May 2021 Senior Leadership Team average score (Out of 10)
<b>Factors of breakthrough performance</b>		
<b>Affinity:</b> measures the strength and quality of relationships. Impacts speed and ease of execution.	9.1	9.5
<b>Purpose:</b> measures the power of connection between an individual and the largest expression of the organisation's reason for being. Impacts spirit, engagement, and resilience.	10.0	10.0
<b>Risk:</b> measures the freedom to challenge the status quo, communicate unorthodox ideas, and take bold actions. Impacts creativity and innovation.	8.9	9.9
<b>Ownership:</b> measures the degree to which individuals hold themselves personally accountable for the performance of their leader, team, or organisation. Impacts reliability and consistency of breakthrough results.	9.6	9.7
<b>Interdependence:</b> measures the willingness to seek and integrate diverse points of view. Impacts superior quality of results.	9.1	9.6

Our Context and Strategy

### Global Top 25 Great Place to Work®

NBL's overall individual Great Place to Work® Trust Index score for 2021 was 75%. This is an overall improvement of 3% from our 72% score in 2020, with an excellent 96% participation rate. The O&L Group's overall Great Place to Work® Trust Index survey score for 2021 was 67%.



Read more about our results in the SDG section from page 43.

## 10 000 Employment Opportunities Secured

We create employment for:

	2021	2020
Full-time employees	<b>796</b>	827
Part-time employees	<b>122</b>	93
Contract positions	<b>356</b>	375
Project positions	<b>13</b>	9

We create indirect jobs by:

- Increasing our local supplier spend
- Building skills pipelines by contributing to educational community projects such as online learning



Read more about our contribution to Namibia's economy under SDG 8 from page 52.

## N\$4 Billion EBIT

We achieved an EBIT of N\$613 million this year through solid progress with the following initiatives:

- Packaging line and stock-keeping unit optimisation
- Loss efficiency and optimisation
- Brand innovation to evolve the portfolio through experiences and a more balanced offering
- Customer online ordering to entrench relationships
- Implementation of the sales and operational planning system to forecast demand for optimal procurement, production and distribution
- Optimising our distribution model and route-to-market
- Growing market share in Namibia



Read more about these initiatives in the Managing Director's report from page 34.

We track progress with the implementation of the Group's Breakthrough Strategy and NBL's specific related priorities through a list of defined imperatives and a vision dashboard. The Senior Leadership Team reviews this monthly.

Divisions assess progress and identify the key capabilities, resources and relationships that they need to reach their targets. In the past year these included:

- Developing employee skills and competence according to new business needs, especially new technology
- Using the 'connect to inspire' employee engagement process to enable higher competence, performance and fun at work
- Using different talent management programmes as hubs for talent pools in the Group
- Supporting SMEs with skills transfer in basic administration and finance
- Intense, but selective information sharing and data collection initiatives with other stakeholders
- Increasing local supplier spend to mitigate supply chain disruption and exchange rate risk

The 2025 Breakthrough Strategy enables all employees to be the best version of themselves while pursuing the Group's vision and living their purpose.

A focus on core leadership behaviours guide how NBL's leaders act and communicate the strategy to employees. The strategy is further cascaded through team meetings, Human Capital interventions using WhatsApp groups, TikTok videos that emphasise the importance of psychological safety and teamwork in the digital age and video messages from leaders. In the Great Place to Work® survey, individual employees expressed their appreciation about having the opportunity to co-create their team's strategy through conversations with their line manager.

We started using a new performance management tool in July 2020. The 'connect to inspire' tool provides employees with an opportunity to own and drive their growth through purposeful performance discussions with their line managers.

## The strategic priorities that we will explore going forward are:

**1** PURPOSEFUL LEADERSHIP THROUGH OUR PEOPLE AND VALUES

**2** DIGITAL TRANSFORMATION THROUGH PEOPLE SYSTEMS AND PROCESSES

**3** PRODUCTION EFFICIENCIES THROUGH COST OPTIMISATION AND SCALE BENEFITS

**4** GEOGRAPHIC EXPANSION THROUGH FOCUS MARKET INVESTMENTS

**5** PORTFOLIO EXPANSION THROUGH CUSTOMER-CENTRIC INNOVATION

**6** VALUE CHAIN EXPANSION THROUGH ACQUISITIONS AND INTEGRATION

**7** RESPONSIBLE CITIZENSHIP THROUGH INCLUSIVE STAKEHOLDER ENGAGEMENT AND CONTRIBUTIONS



## HOW WE SEE OUR FUTURE:

### OUR VISION STORY

As part of the O&L Group's strategy development process, the NBL team defined their own future success story. This is an excerpt from a 2025 media article that we envision for NBL, and describes us as follows:

**N**BL has just been recognised as one of the best workplaces in the world. The Company took its place among the global Top 10 Greatest Places to Work.

The news coincides with the release of Namibia Breweries Limited (NBL) 2025 financial results: the Company delivered exceptional earnings before interest and tax (EBIT), confirming the correlation between creating a world-class employment experience and outstanding bottom-line performance.

After interviewing several people either working for or associated with NBL, there is overall consensus as to why they believe NBL was a leader when it comes to workplace excellence and financial performance. NBL embraced and has given deliberate attention to five key enablers:

1. visionary leadership
2. purpose-driven culture
3. innovative route-to-market
4. consumer-centricity
5. brand activism

